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SUBJECT: KAZAKHSTAN - SCIENCE AND TECHNOLOGY - ADDITIONAL AREAS FOR COOPERATION

Summary

¶1. EST officer's January 20 - February 19 TDY visit to Kazakhstan provided a timely opportunity to discuss the Kazakhstani government's Science and Technology (S&T) infrastructure, particularly in light of continued negotiations on a bilateral Science and Technology Agreement. This is one of a series of four cables summarizing EST officer's meetings in Kazakhstan, and focuses on additional areas, ministries, and organizations with potential for S&T cooperation. End Summary.

Ministry of Education

¶2. EST officer met with Mr. Bakhyt Kutubayev, head of the Division of Science and Technology Administration, Ministry of Education and Science. Kutubayev explained that the Ministry of Education coordinates the arrangement of science and technology activities. According to Kutubayev, the ministry already coordinates 36 international bilateral science and technology focused agreements aimed at grants management, joint research, and lab construction. Kutubayev described the ministry's coordination with an international expert council comprising 19 members (including five from the United States). The ministry uses the advice from the council to formulate future strategy, policy, and focus areas. Kutubayev stated he would greatly support expanded S&T cooperation with the United States. The Ministry of Education has allotted funding for 92 joint research projects during 2007-2009. Kutubayev explained that Kazakhstan is in the process of constructing five national labs, two of which will be international labs. Foreign experts will be invited to work in the labs and to conduct research with the best equipment available. Kazakhstan also has plans to expand and improve laboratories at 10 universities so that they meet international standards. Kutubayev stated he hoped that a bilateral S&T agreement would have provisions under which joint research and exchanges could be arranged.

Ministry of Industry and Trade

¶3. EST officer met with Kanysh Tuleushin, head of the Division of Innovation Policy in the Ministry of Industry and Trade. Tuleushin stated the Ministry of Industry and Trade is a line ministry which conducts its own research programs that focus on innovation and industrial policy. (Note: Line ministries identify priority investments in their annual infrastructure strategies and asset management plans. End Note.) Currently, no defined border exists between the research areas covered by the Ministry of Education and his ministry. This has caused a problem of competing structures and competition for funding between the ministries. Both ministries are tasked with supervising innovation policy. The Ministry of Industry provides grants for research which they have determined have a

likely success rate at commercialization. The ministry focuses on such areas as metallurgy, machinery, and chemistry, and provides grants to university labs, private labs, and labs at other ministries.

Samgau: Government Holding Company

14. On January 25, EST officer met with Marat Nurguzhin, vice-chairman of Samgau. Nurguzhin explained that Samghau was created in part to support R&D. Samgau also focuses on ITC, media, and postal services. Nurguzhin stated Samgau has a budget allocation for R&D totaling KZT 20 billion (\$166 million) in addition to KZT 2 billion (\$15 million) set aside for commercialization of newly developed products. He added that Samgau is currently cooperating with the Civilian Research Development Fund (CRDF) as well as American companies including Microsoft, Sysco, Motorola, and Hughes. Much of this ITC cooperation is done through Samgau's subsidiary, Kazakhsatnet. For more information on Kazakhsatnet, EST officer met with its president, Assan Dossayev. Dossayev explained Kazakhsatnet's mission to expand internet access and e-government across Kazakhstan and his desire to include international private companies in the process. Kazakhsatnet is currently doing research in the area of cryptography.

Kazakhstan Science Fund

15. EST officer also met with Assel Nussupova, chief executive officer of the Kazakhstan Science Fund (KSF). KSF is a branch under Samgau and is headquartered in Astana. The stated purpose of KSF is to fund higher risk research through loans. KSF has a budget of KZT

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20 billion (\$165 million). Nussupova explained that KSF provides zero interest loans to researchers to conduct research that has a commercial focus. Under the current system, researchers applying to KSF must rely on collateral to receive loans. Nussupova stated this has been problematic because many of the researchers work in government-owned labs and thus have no collateral for loans. Nussupova stated that the KSF is attempting to move towards a grants system. She also mentioned that if joint funding were an option for a particular project, it would be possible to waive the collateral requirement.

Lessons from CRDF in Kazakhstan

16. EST officer met with Kanat Shakenov, director of CRDF's branch office in Astana. Shakenov stated that the CRDF office was recently opened in 2007 and plans to have three employees in Astana and two in Almaty. Shakenov said that CRDF has had tax problems, despite having taxation waiver status. According to Shakenov, the government still tries to tax equipment originating from CRDF if transferred to a Kazakhstani entity through a third party. He said that on a number of occasions the government has tried to tax the shipping company when equipment was being transferred. In every case, CRDF was able to maintain its tax free status, but has had numerous battles with the Kazakhstani taxation bureaucracy. Shakenov believes that international cooperation is not a priority for the short-staffed and underpaid bureaucrats in ministries. He did not have a very high opinion of the KSF because of its collateral requirement.

International Science and Technology Center

17. EST officer met with Natalia Tomarovskaya, head of the Kazakhstan branch office of the International Science and Technology Center (ISTC), which is located in Almaty. Tomarovskaya stated ISTC has a budget of around \$65 million and has partnered in the past with USDA and DOE. Although the organization has a tax waiver in

place, ISTC continues to have tax issues with the Kazakhstani Tax Committee. Occasionally ISTC runs into problems when using third parties, but has been able to get the fees refunded. Tomarovskaya noted that initially the United States contributed to the funding of ISTC and she inquired as to why the USG has terminated its funding. Tomarovskaya was hopeful a bilateral S&T agreement would increase American involvement in the region and offered to help by including American agencies in some of the proposals.

National Center for Scientific and Technical Information

¶18. EST officer met with Yerbol Suleymenov, director-general of the National Center for Scientific and Technical Information, headquartered in Almaty. Suleymenov described the center as an analytical agency which develops S&T recommendations for the government. Another task of the center is to review projects which are submitted to the government for funding. Suleymenov stated that the center coordinated the international team of experts currently reviewing the status of S&T in Kazakhstan. He added that his center currently has a cooperation agreement with the American Association for the Advancement of Sciences (AAAS), and is hoping to sign an agreement with the National Science Foundation (NSF) to understand how NSF conducts its quantitative reports on the status of science and technology. Suleymenov stated that although his center does not supervise research, he can see where a bilateral S&T agreement would be highly beneficial to Kazakhstan and hopes it will strengthen ties with the American scientific community.

National Innovation Fund

¶19. EST officer met with Nurbek Rayev, chairman of the National Innovation Fund (NIF), which is headquartered in Almaty. Rayev described the NIF as a state-owned, venture capital institution interested in investing in high-tech companies in Kazakhstan. The NIF is currently working on a project with the National Technical University to establish a techno park to conduct innovative research in ITC that will eventually be able to commercialize. Although the NIF may be a partner in future cooperation with the U.S., it would be partnered through another Kazakh organization.

KazEngElectronics

¶10. On February 12, EST officer met with Viktor Adamov, director-general of KazEngElectronics (KEE), in Almaty. Adamov

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stated that the main activities of KEE are not scientific, though research is conducted on radio-electronics and industrial projects. KEE is more focused on commercialization of radio-electronic products than R&D. Adamov stated that in the past, KEE received funding for R&D but has not had such funding for two years.

Academy of Sciences

¶11. EST officer met with Dr. Murat Zhurinov, president of the Academy of Sciences, located in Almaty. Currently, Zhurinov is on the Science Council which advises the President and Prime Minister on science issues. Zhurinov stated that the members of the academy include all directors of research institutions and universities in Kazakhstan. He said that once a bilateral S&T agreement is finalized, he would be interested in concluding MOU's with AAAS, NSF, and the National Academy of Sciences (NAS) as a means to increase communication and possible cooperation. Zhurinov also lobbied for the establishment of a Kazakh-American University in Kazakhstan similar to American universities in Europe, though this would not be covered under the S&T Agreement.

Comment

¶12. An interesting aspect to the Kazakhstani S&T scene is existence of government-owned joint stock companies which play a vital role in R&D. These JSC's are assigned to work on specific areas of R&D and could be valuable partners for future R&D collaboration. End Comment.

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